# Whither Services Marketing?

## In Search of a New Paradigm and Fresh Perspectives

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*This article examines the received wisdom of services marketing and challenges the validity and continued usefulness of its core paradigm, namely, the assertion that four specific characteristics—intangibility, heterogeneity, inseparability, and perishability—make services uniquely different from goods. An alternative paradigm is proposed, based on the premise that marketing exchanges that do not result in a transfer of ownership from seller to buyer are fundamentally different from those that do. It posits that services offer benefits through access or temporary possession, instead of ownership, with payments taking the form of rentals or access fees. This rental/access perspective offers a different lens through which to view services. Important implications include opportunities to market goods in a service format; the need for more research into how time is perceived, valued, and consumed; and the notion of services as a means of sharing resources.*

***Keywords:*** *economic theory; intangibility; marketing theory; rental services; resource sharing; services marketing; time consumption; time-based pricing; textbook theory*

Is the academic field of services marketing in danger of losing its broad and in many respects coherent perspective? This may seem like a strange question to ask at a time when service markets have never been larger, competition in services has probably never been more intense, and net employment growth within developed economies is almost exclusively derived from services. And yet some leading scholars are concerned about the field. In a broader arena, the dominant logic of marketing is under attack by an argument that its emphasis on the provision of goods as the basis for economic exchange should be replaced by an emphasis on the provision of service (Vargo and Lusch 2004a).

A rare characteristic of service research is that it originated simultaneously in several European countries and the United States. An international dialogue developed at an early stage, although the English-language literature, as in most sciences today, remains dominated by American views and research. As Gummeson (2002a) noted, "European academics read U.S. journals but U.S. academics rarely read European journals" (p. 329). In a recent book, edited by Fisk, Grove, and John (2000), eight U.S.-based and two European-based scholars (including the authors of this article), who have been associated with the field since its early days and remain active contributors, offer "histories" of the evolution of services marketing and preferred directions for its future. They provide insights through their varying perceptions of the past, present, and future of services marketing. A major lesson here is that there are several histories and projected futures.

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In the same spirit, this article recognizes that a key obligation of scholarly research is ongoing reflection and dialogue. We acknowledge with admiration the vital contributions by numerous researchers over the years. Yet, given the subsequent evolution of service markets, offerings, and technologies, it seems appropriate to pose the question: If scholars were starting from scratch today to develop the field of services marketing, would they employ the same underlying assumptions and develop broadly similar conceptual frameworks?

As a first step, we examine the validity of the current core paradigm of services marketing, namely, the assertion that four specific characteristics—intangibility, heterogeneity, inseparability, and perishability—make services uniquely different from goods. These characteristics, which for simplicity are collectively referred to as "IHIP," have been staples of service research and teaching for more than two decades. But we need to ask if they are grounded in empirical research or are merely theoretical constructs that are subject to ambiguous interpretation.

### Concerns Over the Future of Services Marketing

In evaluating the evolution of services marketing, Schneider (2000) observed that organizations go into decline when they try to refine what makes them successful—an assertion based on the work of Miller (1990) and Kotter and Heskett (1992)—and added rather glumly:

> Services marketing has been successful because it differentiated itself in the marketplace with a conceptual paradigm shift—services are different from goods. All else has followed from this conceptual leap—and with increasing refinement. We have had a happy 20 year run . . . but we may need some new energy and new directions. . . . I sense a kind of malaise in services marketing. (p. 180)

Berry (2000) expressed concern that the dominance of a single area of research—one in which he himself made major contributions—has effectively blocked progress in other areas.

> During most of the 1990s, the field became too caught up in service quality measurement and debating the pros and cons of alternative methodologies. . . . So much research energy and journal space was devoted to this subject matter that the field seemed to lose its bearings. (p. 10)

Perhaps reinforcing the drift to which Schneider (2000) and Berry (2000) referred was the emergence during the late 1990s of the Internet as an important business tool and the resulting explosion of interest in e-commerce. Internet technology offers the potential for creating new business models, radical new approaches to delivering information-based services, and new ways of relating to customers (Peterson, Balasubramanian, and Bronnenberg 1997; Reichheld and Schefter 2000; Rust and Kannan 2002).

Some scholars have expressed concern that existing service concepts are not readily applicable to Internet services. Brown (2000) argued that "the ability to obtain and consume services without interacting with a human provider challenges much of our existing knowledge" (p. 62). Reinforcing this viewpoint, D. E. Bowen (2000) concluded, "It now seems that most of what we know about services marketing and management has been derived from the study of face-to-face service encounters or at least over the telephone" (p. 46).

In a subsequent review and commentary, Grove, Fisk, and John (2003) observed,

> Services marketing now faces a challenge that confronts many maturing fields of study. Specifically, as the domain of services has expanded, the boundaries that define it have become more obscure. Further, like so many other evolving disciplines, the direction in which services marketing is headed is unclear. Issues regarding the scope and the future of services persist. In short, as the field has grown, it has become more diffuse. A basic question now facing the services marketing subdiscipline is "where do we go from here? (p. 106)

### The Power of Paradigms

As clarified by Kuhn (1970), progress in any scientific field requires a paradigm, which he conceives as a fundamental set of assumptions that is shared by members of a particular scientific community. A paradigm shapes the formulation of theoretical generalizations, focuses data gathering, and influences the selection of research procedures and projects.

Although paradigms can facilitate research and generate axioms that are useful for both teaching and practice, they are only temporary postulates, and the validity of the underlying assumptions must always be open to challenge. We should be mindful of Schumpeter's (1950) famous treatise on entrepreneurship and the drivers of development demanding "creative destruction through innovation." Such a perspective seems applicable to theory development as well. For this reason, we argue that it is desirable to open a dialogue on paradigmatic issues.

### The Received Wisdom of Textbooks

How does the marketing discipline as a whole view services? A case can be made that the received wisdom of marketing is perhaps best captured in mainstream text-

books employed for required courses in the field. As scholars, we should be concerned about how mainstream texts present our field, because this content will be as much as most people ever learn about it. With few exceptions, courses in services marketing are taught as electives at both undergraduate and graduate levels. However, most business schools require all students to take an introductory course in marketing, in which treatment of services marketing is necessarily limited—if, indeed, it is covered at all. Hence, we can infer that only a fraction of all students are actually exposed to in-depth coverage of services marketing.

Although services dominate developed economies, "textbook theory" treats services marketing as a subdiscipline of manufacturing-based marketing management. Gummesson (2002a, pp. 325-26) noted that marketing textbooks offer a smorgasbord of dishes but laments that the smorgasbord text often offers minuscule context. New theories and concepts tend to be presented as a special case and an add-on. Developing general marketing theory requires either integration of new lessons at a higher conceptual level than the theory already in existence or, more radically, a change in its very foundations.

As argued by Schneider (2000), the underlying paradigm in services marketing since the 1980s has been that services are different from goods, a claim supported by an in-depth literature review by Fisk, Brown, and Bitner (1993), who concluded that "[four] features—intangibility, inseparability, heterogeneity, and perishability—provided the underpinnings for the case that services marketing is a field distinct from goods marketing" (p. 68).

In reviewing introductory marketing management texts recently published in the United States, we identified four established textbooks—defined as being in their third or later edition—that contained an entire chapter devoted to services (Kerin et al. 2003; Kotler 2003; Pride and Ferrell 2003; Solomon and Stuart 2003). In each instance, the authors attribute specific characteristics to services that implicitly or explicitly differentiate them from physical goods (see Table 1). Despite differences in both sequencing and terminology (notably Kerin et al's alliterative effort to create the Four I's of services and Kotler's and Solomon and Stuart's use of the term *variability* instead of heterogeneity), each text essentially discusses the four IHIP characteristics. Pride and Ferrell claim two more: client-based relationships and customer contact.

As evidenced by the content of these widely used textbooks, we conclude that the paradigm that services differ from goods, reflecting the "basic"/"major"/"unique" IHIP characteristics, constitutes today's received wisdom in the broader academic marketing community. However, without empirical evidence, we cannot conclude that practicing managers either accept or act upon this paradigm.

**TABLE 1**
**How Introductory Marketing Management Texts Portray Service Characteristics**

| *Authors* | *Statement of Service Characteristics (direct quotes)* |
|---|---|
| Kerin et al. (2003, p. 323) | There are four unique elements to services: intangibility, inconsistency, inseparability, and inventory |
| Kotler (2003, p. 446) | Services have four major characteristics that greatly affect the design of marketing programs: Intangibility, inseparability, variability, and perishability |
| Pride and Ferrell (2003, p. 325) | Services have six basic characteristics: intangibility, inseparability of production and consumption, perishability, heterogeneity, client-based relationships, and customer contact |
| Solomon and Stuart (2003) | Regardless of whether they affect our bodies or our possessions, all services share four characteristics: intangibility, perishability, inseparability, and variability |

Texts in services marketing are, of course, directed at a much smaller and more focused market than introductory marketing texts. Although services marketing texts agree that services differ from goods, they display less unanimity in their depiction of specific distinguishing characteristics. Among texts published between 1998 and 2004, five (Fisk, Grove, and John 2004; Kasper, van Helsdingen, and de Vries 1999; Kurtz and Clow 1998; Hoffman and Bateson 2001; Zeithaml and Bitner 2003) build their discussion of differences around the IHIP characteristics. However, five other texts (Bateson and Hoffman 1999; Grönroos 2000; Gonçalves 1998; Lovelock and Wirtz 2004; Lovelock and Wright 2002) enumerate significantly longer lists of differences between goods and services. Books in the latter group do not always include all four IHIP characteristics. This situation supports Grove, Fisk, and John's (2003) contention that the field has become more diffuse.

## DEVELOPMENT OF THE GOODS VERSUS SERVICES PARADIGM

During the 1970s and early 1980s, service researchers (primarily marketers but also specialists in operations and human resources) put forward a broadly similar message. Services, they argued, raised distinctive management challenges that were not being addressed by existing research and teaching grounded in manufacturing and agricultural production, whose physical output was col-

lecively referred to as "goods." (For detailed literature reviews, see Berry and Parasuraman 1993; Fisk, Brown, and Bitner 1993.)

During that era, the prevailing marketing theory, which claimed to be generalizable, rested mainly on a business-to-consumer (B2C) depiction of market transactions in physical goods, with business-to-business (B2B) marketing presented as a special case (Bartels 1976). Services were rarely discussed, except in relation to transportation of goods through physical channels, repair and maintenance of products, and provision of customer service as part of the augmented product (LaLonde and Zinszer 1976; Rakowski 1982).

Academics who were interested in how services were created, designed, delivered, and marketed found that published insights and practical examples were in short supply. In these circumstances, it is not surprising that many marketing scholars fell back on their own experiences as customers of airlines, banks, hotels, restaurants, and retail stores. Fisk, Brown, and Bitner (1993) noted that little empirical research on services was published during the 1970s; instead, scholarly efforts focused on conceptualization.

Apart from early discussion of professional services (Gummesson 1981; Wilson 1972) and a few cases on high-profile firms like Federal Express, relatively little attention was paid to B2B services. This experience-based approach to services made early conceptualization unusually consumer-centric, emphasizing individual needs, customer satisfaction, and involvement in service encounters (Czepiel, Solomon, and Surprenant 1985).

Advocacy for the new field did not go unchallenged (Enis and Roering 1981; Wyckham, Fitzroy, and Mandrey 1975). However, most of the opposing arguments took the form of internal debates within academic institutions where service pioneers often encountered resistance from established colleagues committed to the status quo (Berry and Parasuraman 1993; Fisk, Brown, and Bitner 1993). Nevertheless, a consensus emerged that (a) services—broadly defined as acts, deeds, performances, or efforts—had different characteristics from goods—defined as articles, devices, materials, objects, or things (Berry 1980; Rathmell 1966); (b) these characteristics posed vexing marketing problems not faced by goods marketers; and (c) developing marketing strategies to address these problems based on knowledge accumulated from goods marketing was often insufficient and even inappropriate (Zeithaml, Parasuraman, and Berry 1985).

## Evaluating the Four "Unique" Characteristics of Services

Scholars conceptualized a variety of characteristics that were believed to distinguish services from goods. In a review of 46 publications by 33 authors during the period 1963-83, Zeithaml, Parasuraman, and Berry (1985) determined that the most frequently cited characteristics were *intangibility* (mentioned by all), *inseparability* of production and consumption or simultaneity (cited by the great majority), *heterogeneity* or nonstandardization (noted by about 70%), and *perishability* or inability to inventory (cited by just more than half of the authors).

The earliest author cited in this review was Regan (1963), who identified intangibility, inseparability, perishability, and ubiquity but, rather surprisingly, neither defined nor explained them. However, in a still earlier work, Parker (1960, p. 33) declared the two most important characteristics were intangibility and perishability. The first authors to cite all four characteristics (and only these four) were Sasser, Olson, and Wyckoff (1978), who presented them in a pioneering service operations textbook; they used the term *simultaneity* rather than *inseparability.*

Although many subsequent authors citing IHIP have referenced Zeithaml, Parasuraman, and Berry (1985) as the source, it is important to emphasize that this distinguished trio of researchers did not invent IHIP but simply ratified it on the basis of an extensive literature review, conducted as a preliminary input to an empirical study (which we discuss below). An even more detailed review by Edgett and Parkinson (1993), covering 106 publications during the period 1963-1990, yielded similar results. These reviews effectively enshrined the "four unique characteristics of services" as received wisdom. However, in the process, other, less frequently cited characteristics were largely overlooked, most notably the *absence of ownership* in service purchases (Judd 1964; Rathmell 1966, 1974).

The extensive set of publications referenced in these reviews confirms that individual components of the IHIP framework were widely used by scholars as organizing concepts for the young field. Two important root sources that were frequently referenced in subsequent literature were Rathmell (1974) and Shostack (1977). But in neither instance do their conclusions about service characteristics appear to be based on empirical research or to build on past foundations in the marketing literature, although one may infer that both authors were well exposed to business practice. In fact, Shostack was a bank executive, not an academic. Her much-cited article, "Breaking Free From Product Marketing," was extremely influential in accelerating the early development of services marketing but is noteworthy for containing only six references. A similar phenomenon can be observed in an influential article by Kotler and Levy (1969) that argued for broadening the concept of marketing to include the activities of nonbusiness organizations; this article contained only four references. Both articles built on syntheses derived from the authors' interpretations of received theory and inductive

observation. By definition, a new paradigm is based on new fundamentals instead of using a stream of existing theory and research as its primary foundation.

In discussing scientific method, S. D. Hunt (1976, pp. 16-20) drew a distinction between *discovery* and *justification*. Discovery can originate through observation (a variant of the inductivist route) and speculation (a generalized deductivist route), as well as through serendipity in the form of dreams and Eureka!-like events. At some point, however, the generalizations that emerge need to be tested through empirical research in the context of justification. New theory can also develop from new interpretations and innovative combinations of extant theory (Gummesson forthcoming). Hence, discovery and testing need not constitute two distinct stages but can be a continuous, iterative trial-and-error process in which we keep interpreting and combining both old and new data with the purpose of improving validity. Knowledge management is centered on the release of tacit knowledge, knowledge sharing, and ongoing dialogues (Nonaka and Takeuchi 1995).

However, we have found no evidence that the IHIP characteristics have been validated by research as being either generalizable to more than limited service situations or having *collective* relevance for understanding how companies design and implement their marketing strategies or how customers make choices.

In the study noted earlier, Zeithaml, Parasuraman, and Berry (1985) identified eight specific marketing problems associated with each of the IHIP characteristics and then conducted a mail survey of 1,000 managers across a wide array of service industries to determine their views on these specific problems. Although 47% of the 323 respondents viewed demand fluctuation as a problem (one that is exacerbated by perishability), the proportion agreeing that each of the remaining seven items presented difficulties for their firms ranged from a modest 23% to a mere 9%. Seeking to explain these findings, Zeithaml et al. could only hypothesize that the responding firms might have already internalized the stated problems and were successfully dealing with them. Perhaps these authors' most significant conclusion was that "important differences exist *among* service firms, not just between service firms and goods firms" (p. 43). In particular, they noted a wide dispersion among responding firms in the need for customers to be present during service production. Although the authors did not say so specifically, this latter finding implicitly challenges the notion of inseparability of production and consumption.

## TRACING THE IHIP CHARACTERISTICS TO THEIR CONCEPTUAL ROOTS

Where did the IHIP characteristics come from? Our analysis of numerous publications by service marketing and operations scholars during the 1970s and early 1980s reveals very few citations of references predating the 1960s. Nevertheless, the concepts of intangibility, inseparability, heterogeneity, and perishability actually originated in classical and neoclassical economics.

### Origins of the Intangibility, Inseparability, and Perishability Concepts

Neither marketers nor operations specialists created the distinction between tangible goods and intangible services. As we will show, the notions of intangibility (or immateriality), inseparability (or simultaneity of production and consumption), and perishability (with its implications of inability to inventory service output) were all derived from early economic thought. More important, all three were closely interwoven from the outset. The discussion that follows is closely based on the literature reviews of Delaunay and Gadrey (1992), T. P. Hill (1977), and P. Hill (1999).

Debate on the distinction between goods and services originated with Adam Smith. Classical economists posited that goods (initially referred to as "commodities") must be entities over which ownership rights could be established and exchanged. In his *Wealth of Nations*, Smith (1776/1969) distinguished between the output of productive labor, which can be stored in inventories of vendible goods that can subsequently be exchanged for other items of value, and "unproductive" labor that however "honourable, . . . useful, or . . . necessary . . . produces nothing for which an equal quantity of service can afterwards be procured. . . . [This type of] work . . . perishes in the very instant of its production."

Early discussion of services took place in a philosophical context that emphasized the importance of capital (which translated into wealth) and capital formation. Ownership of goods represented wealth. Describing service providers as "unproductive" was provocative, but Smith was not implying that the perishable output of government officials, the armed forces, clergy, lawyers, physicians, "men of letters," musicians, entertainers, or "menial servants" actually failed to create valued benefits.

Writing in French, Say (1803/1964) was the first to employ the term *immatériel* (immaterial or intangible) and to introduce the concept of simultaneity. He used the example of a physician who visits a patient, prescribes a remedy, and then leaves without depositing any product: "The physician's advice has been exchanged for his fee. . . . The act of giving was its production, of hearing [by the invalid] its consumption, and the production and consumption were simultaneous. This is what I call an immaterial product" (cited in P. Hill 1999, p. 430).

Peter Hill (1999) characterizes Say's choice of the term *immaterial* as "unfortunate" and draws attention to a foot-

note in which the French economist admits that his first intention was to use the term *perishable* product, but that he discarded this on the grounds that certain physical commodities were also perishable. Other adjectives that he considered and rejected were *intransferable*, *transient*, and *momentary*. We might also argue that it was unfortunate that Say should have restricted his definition of *consumption* to the act of hearing the physician's advice and thus implicitly excluded the patient's subsequent actions in following that advice.

The challenge of selecting an appropriate label for a new concept is one that faces scholars in all disciplines. Unfortunately, an infelicitous or inappropriate choice of terminology may cause problems for future generalizations of researchers when it results in alternative interpretations and meanings.

During the nineteenth century, the terms *material products* and *immaterial products* became well entrenched. Marshall (1890/1962) introduced the term *goods* into general economic usage, replacing the older term, *commodities*. Karl Marx treated activities such as transportation of merchandise and repair and maintenance operations not as services but as part of merchandise production (Delaunay and Gadrey 1992, pp. 49-51). In time, other economists began representing services such as freight transportation and the distributive trades as extensions or continuations of the process of producing material goods, because they added to the value in exchange of the final product.

By the mid-20th century, most economists—with the exception of some in socialist countries—tended to dismiss the distinction between productive and unproductive labor as irrelevant and obsolete. In particular, they came to see the ultimate end of economic activity as consumption rather than capital formation, thereby validating the economic contribution of services that could be sold at a price because they offered consumers value in use. Yet few perceived the distinction between material goods and immaterial services as having any great economic significance. Peter Hill (1999), himself an economist, cautions that

> the economics literature is full of statements to the effect that goods are material, or tangible, whereas services are immaterial, or intangible. Such statements are casual or conventional, rather than scientific, as the nature of an immaterial product is not explained. (p. 426)

### Origins of Heterogeneity

Unlike the other three IHIP characteristics, the concept of product heterogeneity (also referred to as variability, inconsistency, or nonstandardization) is of 20th-century origin. It was introduced by Robinson (1933, 1969) in her discussion of the distinction between "perfect" and "imperfect" competition, and elaborated by Chamberlin (1933/1962) in the context of both natural and planned differentiation of commodities.

Early service scholars focused on the need for standardization of work procedures, service technologies, and self-service in order to "routinize" service operations and make service faster, cheaper, and more convenient (Judd 1968; Rathmell 1966). In some of the subsequent services literature, the term *heterogeneity* was also used to describe an entirely separate phenomenon, the extreme diversity of service establishments and their operations (Rathmell 1974, pp. 8-9; Riddle 1986, p. 8; Shelp 1981, pp. 2-3). In hindsight, it would have been better if service scholars had settled on the term *variability*, which operations specialists often see as a key difference between manufacturing and service operations (Morris and Johnson 1987).

## ARE THE IHIP CHARACTERISTICS TRULY GENERALIZABLE?

Despite an undercurrent of skepticism about the component elements (Grönroos 2000; Lovelock 1983, 2000) and a highly critical stance by Gummesson (2002b, pp. 288-89), the IHIP framework remains a unifying theme for services marketing. It continues to be presented as received wisdom in chapters on services marketing in introductory marketing texts (Table 1) and with varying degrees of certitude in several, but not all, specialized services marketing texts. However, as we will demonstrate, the framework has serious weaknesses as a generalizable underpinning for the paradigm that services are different from goods. We examine each characteristic in turn.

### Intangibility

Intangibility is not only the most widely cited difference between goods and services but has also been described by Bateson (1979) as the critical distinction from which all other differences emerge. Bateson drew a distinction between *physical intangibility*, that which is impalpable or cannot be touched, and *mental intangibility*, that which cannot be grasped mentally, and concluded, "The crucial point about services is that they are doubly intangible" (p. 139). Later, McDougall and Snetsinger (1990) sought to operationalize mental intangibility as "the degree to which a product can be visualized and provide a clear and concrete image *before purchase* [italics added]."

Laroche, Bergeron, and Goutaland (2001) argued that intangibility includes a third dimension, *generality* (which encompasses the notions of accessibility versus inaccessi-

bility to the senses, abstractness versus concreteness, and generality versus specificity) and developed a scale for measuring all three dimensions. However, on the basis of two subsequent empirical studies, Bielen and Sempels (2003, p. 12) confirmed Bateson's original conceptualization and concluded that intangibility is a bidimensional concept comprising (a) a physical dimension specific to the degree of materiality of the product or service studied and (b) a mental dimension tied to the degree of difficulty involved in defining, formulating, or understanding in a clear and precise fashion the product or service in question.

Nevertheless, the received wisdom presented today in introductory marketing textbooks fails to make an explicit distinction between physical and mental intangibility. Pride and Ferrell (2003) stated simply that "intangibility means that a service is not physical and therefore cannot be touched . . . or physically possessed" (p. 324). The other three texts present physical intangibility as a *prepurchase* phenomenon that results in uncertainty and difficulty of evaluation. Kotler (2003) stated that "unlike physical goods, services cannot be seen, tasted, heard, felt, or smelled before purchase" and then linked this point to the need to reduce prepurchase uncertainty (p. 446). Kerin et al (2003) stated that services "can't be held, touched, or seen before the purchase decision" and are thus more difficult to evaluate (p. 323). Solomon and Stuart (2003) made the same point.

Of course, we can argue that the same prepurchase phenomenon happens to be true of numerous manufactured products, including foodstuffs, cosmetics, medicines, and audio or video recordings, whose sensory stimuli are often hidden within protective packaging, making it possible for only the most seasoned buyers to fully evaluate them in advance of actual use. The growth of telephone ordering, e-commerce, and build-to-order products further insulates buyers from merchandise in advance of delivery. Yet many services involving delivery of tangible elements can be evaluated before use. For instance, the core product in a hotel or motel is the room. Travelers can check out hotel or motel rooms before registering and may even decide to try another facility if they do not like the look of the facilities, the appearance and attitude of the staff, or even the feel of the bed.

*Evaluating physical intangibility.* To determine whether or not services are intangible, we have to go beyond prepurchase issues and consider delivery processes, consumption behavior, and observable outcomes. It has long been recognized that there is an important interdependence between services and goods, with most services requiring physical goods to support and facilitate the delivery system (Greenfield 2002; Rathmell 1974). Shostack (1977) implied that there are very few pure goods or pure services; instead, she notes most market entities are "*combinations of discrete elements* which are linked together in molecule-like wholes. Elements can be either tangible or intangible. The entity may have either a tangible or intangible nucleus" (p. 75). She proposes that products may be arrayed on a tangibility spectrum according to whether their constituent elements are collectively tangible-dominant or intangible-dominant. The notion of the augmented product applies to both goods and services and often includes supplementary service elements that enhance or facilitate the core element (Grönroos 2000; Lovelock and Wirtz 2004).

Received wisdom endorses Shostack's perspective. Three of the four marketing management texts cited earlier (Kerin et al. 2003; Pride and Ferrell 2003; Solomon and Stuart 2003) contain figures that present derivatives of her tangibility spectrum and suggest that products defined as goods are arrayed on the tangible-dominant half of the spectrum and products defined as services on the intangible-dominant half. Although pure goods and pure services lie at the extremities, most other items are presented as containing a mix of tangible and intangible elements.

Further support for the tangible nature of service experiences comes from research by Zeithaml, Parasuraman, and Berry (1990) who identified "tangibles" (the appearance of physical facilities, equipment, personnel, and communication materials) as one of five key dimensions of service quality. An important concept relating to service tangibility is the *servicescape*, which recognizes that service experiences are surrounded and shaped by a built environment incorporating ambience, function, and design in addition to a social environment comprising service providers and other customers (Bitner 1992, 2000).

Bitner (1992) emphasized the importance of managing the physical aspects of the servicescape as (a) a sensory *package* designed to elicit emotional responses; (b) a *facilitator* to shape customer behavior and enable efficient flow of activities; and (c) a *differentiator* to distinguish a service provider from its competitors, signal the intended market segments at which the service is targeted, and differentiate higher priced offerings from less expensive ones. Customers may be specifically attracted to an expensive service by the availability of superior tangible elements, such as a more elegant and better equipped hotel room, a larger airline seat that folds into a bed, or a chiropractor recognized for her ability to achieve desired results for patients through skilled manipulation of the spinal column.

By contrast, the development of Internet-based self-service delivery in categories such as banking, insurance, news, research, weather forecasting, and software provides a whole new set of highly intangible services limited

to images on a screen (and perhaps sounds). The growing availability of such services sharpens our recognition of just how much physical tangibility exists in most other services.

*Evaluating mental intangibility.* Zeithaml (1981) claimed that three characteristics of services—[physical] intangibility, inseparability, and nonstandardization (heterogeneity)—make it more difficult for consumers to evaluate services than goods. Employing Nelson's (1970) and Darby and Karni's (1973) classification of the qualities of goods, she argued that many goods are high in *search* qualities—attributes that can be determined and evaluated prior to purchase. Other goods and many services are high in *experience* qualities, because their attributes cannot be known or assessed until they have been purchased and are being consumed. Finally, there are products—mostly services—that are high in *credence* qualities that customers must take on faith because they are hard to evaluate even after consumption. She hypothesized that products can be arrayed on a spectrum, with most goods falling to the left of the spectrum (easier to evaluate) and most services to the right (harder to evaluate).

All four of the previously cited marketing management texts discuss this classification and its application to goods and services, subscribing to the notion that goods are easier to evaluate than services. But one troubling aspect of mental intangibility, as portrayed in the service literature, is that no provision is made for learning effects. We have found no empirical evidence that the difficulty of making prepurchase evaluations persists as experience is built through frequent use. Moreover, even if we accept that many services are difficult for first-time users to evaluate, the same may also be true for many goods. In short, there does not appear to be any *generalizable* empirical evidence that goods are easier to evaluate than services on an ongoing basis.

*Insights from empirical research.* Laroche, Bergeron, and Goutaland (2001) provided empirical support for Shostack's notion of a tangibility-intangibility spectrum. They asked respondents to rate six product categories, composed of three goods (jeans, a computer, and a compact disk) and three services (a pizzeria dinner, a haircut, and a checking account) on a set of 9-point Likert-type scales measuring physical intangibility, mental intangibility, and third construct they called generality. The findings showed a different sequencing of the ratings for the six products on physical and mental intangibility, clearly indicating that consumers do not necessarily view all goods as more physically and mentally tangible than all services and vice versa. In particular, the results showed that although a haircut was viewed as combining a roughly equal mix of physical tangibility and intangibility, it was clearly positioned in consumers' minds as mentally tangible.

*Conclusion.* For such a central tenet of services marketing, intangibility emerges as an ambiguous and surprisingly limited concept. It appears to be primarily associated with prepurchase activities where customers have no prior experience with the service in question—a situation that is equally valid for some goods. Many services involve tangible performance activities that users experience during delivery through one or more of their five senses. In fact, for services such as surgery, haircuts, health clubs, cleaning, repair, or landscaping, customers' key goals are to obtain tangible changes in themselves or their possessions. The tangible outcomes of such changes—a feeling of physical well-being following a massage, a clean office, a sporty new haircut, a newly mowed lawn, or restored mobility following hip replacement surgery—will range from ephemeral to permanent and irreversible.

The degree of mental intangibility inherent in a service is not necessarily correlated with physical intangibility. A high labor content does not necessarily render a service physically intangible. In fact, the role of contact personnel in many service environments is to help bring about a physical change in customers themselves or in their possessions. Although the concept of intangibility might sometimes remain useful—for example, in relation to the growing number of e-services—we conclude that it is not a universally applicable characteristic of all services during all stages from prepurchase through delivery, consumption, and output. The concept has been cited for its value in developing advertising themes (George and Berry 1981; Mittal and Baker 2002; Shostack 1977), but its implications for other aspects of marketing strategy remain unclear. In particular, when considering service output, marketers should be careful not to confuse intangibility with perishability.

## Heterogeneity

The problem of variability has attracted attention from service researchers in both marketing and operations, primarily in relation to the difficulty of achieving uniform output, especially in labor-intensive services. Sasser, Olsen, and Wyckoff (1978) described the challenge of establishing standards when behavior and performance vary not only among service workers but even between the same employee's interactions from one customer to another and from one day to another. But Rathmell (1974) explicitly recognized that performance variability was much less problematic in machine-intensive service industries and that performance standards would become easier to attain as more services converted from human-

intensive to machine-intensive operations. Levitt (1972) argued for "industrialization" of service operations, highlighting the use of equipment, procedures, and technology to remove human discretion and eliminate physical factors that caused variations in delivery.

Eiglier and Langeard (1975, 1977) noted the difficulty of controlling service quality when customers are actively involved in the production process. Morris and Johnston (1987) contrasted materials processing (manufacturing) and customer processing (service) operations, pointing to the variability in services of both the transforming resources and the transformed input (customers).

Although the case for heterogeneity in services is based primarily on variations in worker performance, Zeithaml and Bitner (2003) noted that no two customers are precisely alike and thus will have unique demands or experience the service in a unique way. As additional factors creating variability in service performance, Desmet, Van Looy, and Van Dierdonck (1998) cited the presence and behavior of other customers during service delivery and variations in external conditions—weather, crowding, and differences between service locations.

However, we need to distinguish between variations in the consistency of service delivery that result from customer interactions with the service operation (a phenomenon derived from the characteristic of inseparability) and variations in customer perceptions of service experiences. The latter is not unique to services, because customers' expectations of, and experiences with, physical goods can also vary widely. Similarly, the notion of variability between customers is not unique to services and is embodied in relationship marketing, customer relationship management (CRM), and one-to-one marketing (Copulsky and Wolf 1990; Grönroos 2000; Gummesson 2002b; Peppers and Rogers 1999 ). Such customization strategies are as relevant to manufactured products as to services in both B2B and B2C contexts. Just as in consumer goods marketing there may be opportunities for product differentiation through mass customization (Pine 1993), research suggests a trend toward customization of services (Sundbo 2002).

What is the received wisdom on heterogeneity? Among marketing management text authors, only Pride and Ferrell (2003) employed the term *heterogeneity*. Kotler (2003) and Solomon and Stuart (2003) both used the more appropriate term, *variability*, whereas Kerin et al. (2003) employed *inconsistency*. All four texts link variability to human involvement in service delivery and resulting quality problems. Pride and Ferrell emphasize that "heterogeneity usually increases as the degree of labor intensiveness increases. . . . Equipment-based services, in contrast, suffer from this problem to a lesser degree" (p. 326). But it may not be a negative. Solomon and Stuart note that standardization is not even desirable for many services and that individuals often appreciate customization to meet their specific needs.

The service literature makes frequent use of the standardization/nonstandardization dichotomy. Yet this represents an incomplete depiction of the issue. A better conceptualization, derived from manufacturing, is standardization, modularization, and customization. Many so-called standardized services, from banking to transportation, actually represent a strategy of mass customization (Pine 1993), in which customers make selections from a variety of modules (standardized in themselves) to create the service package that best suits their needs. For example, scheduled airline service is highly standardized in design but offers modules for customizing specific elements, such as alternative schedules; service to or from different airports in the same metropolitan area; different classes and prices; seat location; and a selection of drinks, food, and other amenities. Actual execution, of course, is variable.

*Conclusion*. Although there appears to be a consensus that variability is an inherent characteristic of labor-intensive services, no such claim is made for machine-intensive service operations. During the past two decades, there has been a significant trend toward replacing labor by automation to improve productivity and achieve standardization in service delivery, thus making variability less of a problem than previously. In manufacturing industries, despite efforts to improve physical product quality, variability is evidenced by consumer complaint data, product recalls, and negative product evaluations from testing organizations such as the Consumers' Union. Variability also remains an ongoing problem for food and other products subject to rapid physical deterioration.

Even if we agree to replace the unfortunate term *heterogeneity* by the more relevant one of *variability*, better quality control procedures, standardization of modules, and the trend toward automation mean that many services are no longer highly variable in terms of technical quality. We conclude that it is inappropriate to continue to generalize about heterogeneity (or variability) as being a distinctive characteristic that sets all services apart from all goods.

## Inseparability

Inseparability of production and consumption is linked to the concepts of interaction and the service encounter (Czepiel, Solomon, and Surprenant 1985). The latter concept was dramatically illustrated by the "50 million moments of truth per year" that Scandinavian Airlines (SAS) stressed in their pioneering and service-focused turnaround in the early 1980s (Carlzon 1987). A simultaneous production and consumption process involving such fac-

tors as the presence of the customer, the customer's role as coproducer, customer-to-employee, and customer-to-customer interactions is readily observable in many service environments and can form a critical distinguishing property between goods and many types of services.

Although, as Prahalad (2004) recognized, there are multiple approaches to customer engagement, we use the term *coproducer* here in the narrow sense of a transfer of work from the provider to the customer. The literature on coproduction (Benapudi and Leone 2003; Bitner et al. 1997; Edvardsson et al. 2000; Firat, Dholakia, and Venkatesh 1995; Namisvayam 2003) highlights the productivity benefits as well as the managerial challenges that arise when customers become "partial employees." In its purest form, coproduction means that customers engage in self-service, using systems, facilities, or equipment supplied by the service provider. Bateson (1985), Lovelock and Young (1979), and Meuter et al. 2000) offer compelling evidence of the value of this approach to service delivery, the differing forms it can take, and the role of technology.

*Separable services*. Despite the inseparability claim for services, there is a large group of *separable* services that do not involve the customer directly, with the result that production and consumption need not be simultaneous. Simple observation will show that numerous widely used business and consumer services delivered to customers' physical possessions—such as transporting freight, laundering clothes, and undertaking routine cleaning and maintenance on a wide array of equipment and facilities—are most commonly performed in the customer's absence. The same is true of many government services such as defense and maintenance of infrastructure.

Consumers purchase such services as laundry and dry cleaning, oil changes for their cars, lawn care, and parcel delivery precisely to avoid having to involve themselves in these tasks. They are willing to pay money to save time and effort and to allow a professional to do the job—often perceived as an unpleasant one—better than they could themselves. Dropping off an item at a retail repair site or giving instructions to a provider of lawn care services does not constitute involvement in actual production of the core service activity.

Similarly, corporate customers outsource such repetitive tasks as freight transportation, payroll administration, landscaping, and office cleaning precisely in order to disengage from performance of these activities. In some cases, the tasks are performed at a different physical location; in others (such as office cleaning or building repairs), they may be deliberately scheduled at night or weekends when hardly anyone is around. Although there may be some initial collaboration between the customer and the service provider, once the outsourced operation is running smoothly, there is usually little reason for the customer to remain engaged in the production process.

In many separable services, there is an inevitable decoupling of production and consumption. Consider cleaning, repair, and maintenance services, where consumption of the benefits can only take place after the customer reclaims the item, typically some time after production has been completed. In a few instances, consumption of benefits actually precedes production, as in banking when a customer pays a bill by writing a check that may not be processed until several days later.

*Conclusion*. Simultaneity of production and consumption is a distinctive characteristic for inseparable services, with important implications for marketing and operations strategy, including the role played by customers. As such, it is a very important concept. However, we conclude that there are far too many separable services to justify the generalization that inseparability is a distinctive characteristic of all services.

## Perishability

There are multiple perspectives on the meaning and implications of perishability, and consequently, the literature on this topic embraces several strands. What, then, is the received wisdom? A common claim is that services cannot be saved, stored for reuse at a later date, resold, or returned (Edgett and Parkinson 1993; Zeithaml and Bitner 2003). Kotler (2003, p. 449) stated simply that services cannot be stored, and Solomon and Stewart (2003) concurred. Pride and Ferrell (2003) declared that "the unused service capacity of one time period cannot be stored for future use" (p. 325), and Fitzsimmons and Fitzsimmons (1998) specifically stressed the time dependency. If demand is low, unused capacity is wasted. If demand exceeds capacity, it goes unfulfilled and business may be lost. Bringing demand and supply into balance requires management of both demand and available capacity (Lovelock 1984; Sasser 1976).

Kerin et al. (2003) took a slightly different perspective. Using the heading "Inventory" rather than "Perishability," they argued that inventory of services is different from that of goods: "Inventory problems exist with goods because many items are perishable and because there are costs associated with handling inventory. With services, inventory carrying costs are related to *idle production capacity*" (p. 325). In one sense, perishability and inventory present a more challenging issue for manufacturers than for service organizations. When producing for inventory, manufacturing firms incur both maintenance costs (such as storage, security, and insurance) and financial carrying

costs. With an expanded role for the finance function, demands for earlier and higher return on capital and minimizing inventory and its associated costs have become overriding concerns for many companies. Service firms do not have inventory costs of this nature. But the problem of achieving efficient capacity utililization is universal: Perisha- bility of productive capacity is as relevant to the manager of a factory producing beds as is it is to a hotel manager worried about unrented rooms.

Perishability of *capacity* from the producer's standpoint is not the same as a perishable *experience* for a customer, although both are rooted in the passage of time. And perishable capacity is not the same as perishable *output*, for without customers who require service at a specific time, either to themselves or their possessions, there can be no output at most service organizations.

Consumers may view output differently from producers. Most service performances are transient experiences, but this does not mean that the output itself is also perishable, since some services create durable results, thus raising the question of how best to define output. For instance, from a hospital's perspective, a surgical procedure represents output; from the patient's perspective, it is the outcome of that surgery that is relevant.

However, there is an exception to the rule that, unlike manufacturers, service firms cannot produce for inventory and sell their products later. Certain types of live performances—such as education, entertainment, music, religious services, and news—can be recorded for subsequent use through broadcasting or transformed into a reusable physical good in the form of DVDs, tapes, or other storage media.

We propose an expanded concept of inventory that better represents the challenges facing both manufacturers and service providers. Classic use of the term refers to a store of physical goods (including foodstuffs and raw materials) following completion of manufacturing, agricultural, or extractive production. But in a context of build-to-order and just-in-time delivery, where even manufactured products are often ordered or reserved in advance, it is relevant and important to examine the characteristic of *preproduction inventory*. Today, many service industries explicitly calculate their future productive capacity for specific dates and even times of day, relating it to such variables as hours of service and number of employees available. Planned variations in this capacity can be reduced if customers are willing to queue.

Growing attention is now being paid to maximizing yield per unit of available capacity, by varying prices between time periods and charging different rates to different types of customers (Kimes and Chase 1998). This capacity is then defined in terms of specific units of service production, which may be further categorized by nature of output. Thus, hotels categorize room nights by type of accommodation; airlines categorize seats by service class, route, and schedule; consulting firms may allocate billable hours among staff with different levels and types of skills; and maintenance services may allocate labor and machine time among different applications under both routine and emergency conditions. This notion of preproduction inventory is central to development of revenue (yield) management programs (Kimes 2003).

*Conclusion*. The generalization that inherent perishability makes services distinctively different from goods requires significant qualification, for it is a multidimensional concept encompassing productive capacity, the producer's output, the performance experienced by customers, and the output they obtain from the service. Productive capacity is perishable in both manufacturing and service businesses and in both instances is wasted if unused. Manufacturers may be able to use postproduction inventory as a buffer between production and variations in demand, but carrying this inventory has its costs. For service firms, the concept of perishable capacity for products that cannot be stored is a powerful one if the industry is one in which demand is subject to wide fluctuations. Addressing the problem successfully has major implications for productivity and profitability. A logical approach is to emphasize careful allocation of preproduction inventory—the future capacity to produce—among different market segments under different prices and terms at specific times. Firms may also attempt to smooth demand through price variations and other marketing strategies as well as to inventory demand through queuing (Lovelock 1984).

From the customer's perspective, some service output is durable and may even be irreversible. An important exception to the generalization that all services are perishable is found among information-based services where there is the option of recording the performances of information-based services in replayable media for later resale and reuse. In these instances, the producer's output is durable and replicable, and the customer can enjoy the performance again and again.

## Relating IHIP to Specific Categories of Services

When is IHIP applicable and when is it not? To conclude our review, we apply each IHIP characteristic to four different categories of services that are adapted from those enumerated by Lovelock (1983a), based on whether the service act is physical or nonphysical in nature and whether people themselves, owned objects, or information represent the central element that is processed to create the service. These four categories are (a) physical actions to the person of the customer (people processing), (b) physical actions to an object belonging to the customer (posses-

**TABLE 2**
**Applicability of "Unique Characteristics of Services" to Different Types of Services**

| | Service Category Involving | | | |
|---|---|---|---|---|
| | *Physical Acts to Customers' Bodies (e.g., passenger transport, health care, lodging, beauty salons)* | *Physical Acts to Owned Objects (e.g., freight transport, repair/ maintenance, warehousing, laundry and cleaning)* | *Nonphysical Acts to Customers' Minds (e.g., entertainment, news, education, consulting)* | *Processing of Information (e.g., Internet banking, insurance, accounting, research)* |
| Characteristic | | | | |
| Intangibility | Misleading—performance is ephemeral, but experience may be highly tangible and even result in physical changes | Misleading—performance is ephemeral but may physically transform possession in tangible ways | Yes | Yes |
| Heterogeneity | Yes—often hard to standardize because of direct labor and customer involvement | Numerous exceptions—can often be standardized | Numerous exceptions—can often be standardized | Numerous exceptions—can often be standardized |
| Inseparability of production and consumption | Yes | No—customer usually absent during production | Only when performance is delivered "live" | Many exceptions—customers often absent during production |
| Perishability—cannot be inventoried after production[a] | Yes | Yes | Numerous exceptions—performance can often be stored in electronic or printed form | Many exceptions—performance can often be stored in electronic or printed form |

a. Note, however, that some service industries can explicitly inventory defined units of capacity for sale in advance of production.

sion processing), (c) nonphysical actions directed at the customer's mind (mental stimulus processing), and (d) nonphysical actions directed at data or intangible assets (information processing). Representative examples of services in each category appear in Table 2.

To make the point convincingly that IHIP is not generalizable to all services, we do not have to prove that none of the IHIP characteristics ever applies to any service but simply that there are sufficient exceptions to discredit the claim of universal generalizability. An evaluation of the 16 cells in this table indicates that there are numerous exceptions to the received wisdom that all services possess each IHIP characteristic. Even more telling is the fact that many services actually possess one or more of the *opposite* characteristics, namely, tangibility, homogeneity, separability, and durability.

*Tangibility.* By definition, services that entail physical actions to the person of the customer will involve tangible processes with tangible outcomes. Customers feel and see (and sometimes hear, smell, and taste) something happening to them when they fly, have surgery (especially if they remain awake), stay in a hotel, or receive beauty treatment. They can observe or otherwise be aware of a physical outcome that may be of short or long duration and may or may not be reversible. Similarly, there are tangible impacts to customers' possessions as a result of such services as repair, maintenance, cleaning, and laundry.

*Homogeneity.* Improvements in service quality and automation have made it possible to achieve high degrees of reliability and consistency in delivery of such possession-processing services as freight transport, oil changes for cars, dry cleaning of clothes, and warehousing of standardized parts. Through the medium of prerecorded and edited performances, education and entertainment can be delivered (and redelivered many times) with zero variations. When a radio or TV station broadcasts a news program or religious service, the presentation can potentially be delivered in exactly the same way to each member of the audience in numerous different locations.

*Separability.* Many services to physical possessions (such as warehousing, repair, freight transport, and laundry) or processing of information (such as insurance and news) do not involve customer participation in actual production—as opposed to placing an order and paying. Hence, consumption is entirely separable from the production process. Nor do customers need to be involved in production of home entertainment or self-study educational services that are prerecorded for later use in a different location at a more convenient time.

*Durability.* Service performances and output that can be captured through analog or digital recordings are highly durable. This category embraces a wide array of service industries, including education, entertainment, news, and information. The performances inherent in such

intellectual property as software, prerecorded tapes, and CDs can be replayed or rebroadcast time and time again and even illegally copied for use by other parties.

### Conclusions on the Generalizability of the Four Characteristics

Is IHIP applicable to all services? We contend that the claim that services are uniquely different from goods on the four specific IHIP characteristics is not supported by the evidence; it was only true for certain types of services, as it was for some goods. The claim is even less valid now than when services marketing was in its infancy. Our review of the literature has not surfaced a single research project that investigated the IHIP characteristics by studying, in depth, the complex and varied properties of all types of services—or at least a representative cross section of services—through empirical research based on grounded differences, as distinct from conceptual studies based on preconceived criteria.

Major changes in the service sector during the past two decades have further undercut the validity of the IHIP-based paradigm. Replacement of human inputs by automation and rigorous application of quality improvement procedures have substantially reduced variability (heterogeneity) of output in numerous service industries. Outsourcing by companies and delegation by consumers to a specialist provider of tasks that they used to perform for themselves have greatly expanded the incidence of separable services. And advances in information technology and telecommunications, notably development of the Internet and digitization of text, graphics, video and audio, have made it possible to separate customers in both time and space from the production of numerous information-based services, thus destroying the twin constraints of both inseparability and perishability.

As a paradigm, the notion that the four IHIP characteristics make services uniquely different from goods is deeply flawed. Received wisdom, as exemplified by mainstream marketing management texts, may endorse the paradigm, but there is no consensus among them on how to define each of the IHIP components. The disparity widens among specialist texts in services marketing, where we find that only half of all texts published in recent years employ IHIP as a framework for examining differences between goods and services. The underlying problem is rooted in the extensive and still growing diversity of activities within the service sector and complicated by the fact that goods and services appear in tandem in almost every offering (Rathmell 1966, 1974). Consider the caveats offered by Grönroos (2000) in "reluctantly" proposing a definition of services:

> A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems. (p. 46)

Lest our judgment on IHIP should be viewed as harsh, we do want to acknowledge some important benefits resulting from early acceptance of the paradigm that services are uniquely different from goods. First, this consensus provided the impetus and legitimacy necessary to launch the new field of services marketing, to stimulate numerous streams of research, and to generate valued managerial insights (Fisk, Brown, and Bitner 1993). Second, an understanding of how intangibility, heterogeneity, and inseparability affected many services led a host of service researchers on several continents to recognize that knowledge about achieving quality in manufacturing was insufficient to understand service quality; as a result, they initiated a rich and productive research stream dedicated to service quality improvement (Grönroos 1984; Gummesson 1993; Rust, Moorman, and Dickson 2002; Zeithaml, Parasuraman, and Berry 1990). Third, each of the four IHIP characteristics taken separately—and sometimes in partial combination—continues to have ongoing potential to inform research and practice that is relevant to specific service industries, categories, and situations. However, more research is needed to determine the extent to which managerial understanding of individual IHIP elements actually has an impact on marketing strategy.

Reflecting on the need for science to continually strive to bring theory and reality into closer agreement, Kuhn (1970) wisely observed that "there are always difficulties somewhere in the paradigm-nature fit. . . . The scientist who pauses to examine every anomaly he notes will seldom get significant work done" (p. 82). However, at a certain point, the observed discrepancies become so great that a paradigm needs to be reconsidered. "Normal science," declares Kuhn, "does and must continually strive to bring theory and fact into closer agreement" (p. 80). We conclude that there are now far too many exceptions to the current service paradigm for it to remain as a central tenet of services marketing.

## WHITHER SERVICES MARKETING?

Three alternative conclusions may be drawn from the failure of the IHIP framework to support the paradigm that services are different from goods: (a) It is time to abandon the field of services marketing and integrate it with general marketing and management, or (b) we should discard ser-

vices as a general category and recommend that scholars focus on specific service categories, or (c) scholars should search for a new and more defensible characteristic of services that will convincingly differentiate it from other forms of marketing. We briefly consider each option.

### Option 1: Declare Victory and Abandon the Notion of a Separate Field

Noting the extent to which manufacturing organizations have reoriented themselves around services, Schneider (2000) observed that "the field has been so successful that it is now just another facet of marketing" (p. 180). Why, then, is services marketing more often presented as a special chapter in marketing management textbooks than integrated into general marketing theory? In Kuhn's spirit, the major reason is that the marketing literature has been unwilling to abandon mainstream marketing management concepts and categories and to acknowledge services as an integral part of every industry and product—a position championed by Grönroos (2000) and Vargo and Lusch (2004a, 2004b). Such an outcome would be a final vindication of Levitt's (1972) prescient claim that "everybody is in service." Even earlier, Norris (1941) concluded that "goods are wanted because they are capable of performing services" (p. 137).

Much of the marketing-oriented research reported in some of the service journals is not service-specific in its application. For instance, the study of customer satisfaction and dissatisfaction, a key topic in developing satisfaction-related measures of service quality, originated with research on goods (Anderson 1973; Cardozo 1965; H. K. Hunt 1977). Relationship marketing has benefited from service-specific research (Berry 1983; Crosby, Evans, and Cowles 1990; Gummesson 1994, 2002b) but also applies to consumer durables (especially those of high value) and industrial goods. The emerging field of customer equity management has its roots in several overlapping research streams including direct marketing, service quality, relationship marketing, and brand equity (Hogan, Lemon, and Rust 2002). To the extent that such studies yield managerially useful results, these are healthy developments.

Perhaps a case can now be made by service marketers for declaring victory and claiming dominion over all marketing, on the grounds that service thinking has thoroughly infiltrated most aspects of goods marketing (Rust 1998). But this beguiling perspective conceals an intellectual and managerial trap. Lovelock and Wirtz (2004) emphasized that there is an important distinction "between *marketing of services*—where a service is the core product —and *marketing goods through service*" (p. 23). In the latter case, a manufacturing or natural resource firm bases its marketing strategy on a philosophy of serving customers well by adding supplementary services that enhance the value of the core product. However, that core product still remains a physical good.

### Option 2: Focus on Specific Service Subfields

An alternative is to cease looking for unifying concepts across all services but to retain services marketing as a convenient and welcoming tent for those who have chosen to focus on specific categories of service that possess unifying themes of their own. The motivation for retaining services as a broad area of special interest lies partly in the economies associated with publishing service journals, teaching service courses, or holding service conferences, and partly in encouraging a dialogue on research insights that may sometimes be generalizable from one category of services to several others.

There are many ways in which new subfields might be defined, other than the old standby of industry classifications. Numerous proposals have been made for classifying services, including J. Bowen (1990); Kasper, Van Helsdingen, and de Vries (1999); Lovelock (1983a); Schmenner (1986); and Silvestro et al. (1992).

Consider the following four possibilities. A promising approach lies in separating traditional high-contact services from the growing number of low-contact services (Chase 1978). Within the high-contact category, a large group of *services involving delivery of tangible actions to the person of the customer* can be found. The low-contact category includes two particularly distinctive groupings of services. The group known as *e-services*, defined as "the provision of services over electronic networks like the Internet" (Rust and Kannan 2002), did not even exist when the field of services marketing first emerged. Much of the production task for these physically intangible services is turned over, typically at remote locations, to consumers who often provide not only their labor but also their own equipment as they access network systems (Boyer, Hallowell, and Roth 2002). A very different form of low contact is found in *separable services* that provide tangible acts to physical possessions without requiring the customer's participation.

A fourth opportunity is to focus on *information-based services that can be recorded and stored* on media such as films, tapes, or disks. Peter Hill (1999) declared that such entities are different from both goods and services, describing them as

> intangible entities originally produced as outputs by persons, or enterprises, engaged in creative or innovative activities of a literary, scientific, engineering, artistic, or entertainment nature. . . . Originals are

> entities that exist independently of their creators and the medium on which they are recorded. They can also be recorded on more than one type of medium. . . . Once an original has been recorded, it is possible to produce as many copies as required. . . . When the original is copied onto a blank disk or tape, nothing material is transferred in the process. . . . The original is not consumed or used up. (p. 439)

Readers will note that the four categories of services described above are all ones that do not fit comfortably under the IHIP umbrella, thus suggesting a fifth, residual category: all those services that can be realistically be characterized as intangible, variable, inseparable, and perishable.

A rigorous approach to categorization might usefully employ the procedures for grounded theory (Glaser 2001; Glaser and Strauss 1967; Gummesson forthcoming). Developing a grounded theory in services would involve conducting a large number of case studies and observations of a wide array of services and then looking inductively at the results without employing the lenses supplied by existing concepts and current beliefs.

### Option 3: Search for a New, Unifying Service Paradigm

There are several ways to begin the search for a new paradigm, including conceptual studies, empirical field research, and a reanalysis of extant but unused knowledge. Kuhn (1970) offers a useful perspective when he argues that the transition from a paradigm in crisis requires “a reconstruction of the field from new fundamentals, a reconstruction that changes some of the field’s most elementary theoretical generalizations as well as many of its paradigm methods and applications” (pp. 84-85). We now put forward an old but overlooked characteristic, *nonownership*, as the basis for a new paradigm.

## NONOWNERSHIP: ONE POTENTIAL BASIS FOR A NEW PARADIGM

Early researchers emphasized that there was no transfer of ownership in services (Judd 1964; Rathmell 1974). Yet subsequent theorizing has largely ignored this striking characteristic. In pursuit of an ideal paradigm, we propose creation of a new one around the notion that *marketing transactions that do not involve a transfer of ownership are distinctively different from those that do*. We believe that at this stage in the evolution of services marketing theory, this perspective offers the potential to uncover new and different dimensions of service reality.

### Exploring the Characteristic of Nonownership

In dusting off the characteristic of nonownership, we do not claim that it offers a panacea with necessarily general properties. Rather, we propose it as a lens to present aspects not clearly visible in current theory. If customers do not receive ownership when they purchase a service, then what are they buying? We contend that services involve a form of *rental* or *access* in which customers obtain benefits by gaining the right to use a physical object, to hire the labor and expertise of personnel, or to obtain access to facilities and networks. Although we use the terms *rental* and *access*, we remain open to the use of other terminology and acknowledge the subtle distinctions between words such as *rent*, *hire*, and *lease*.

Several broad categories can be identified within the nonownership framework.

- *Rented goods services* (Judd 1964). Customers obtain the temporary right to exclusive use of a physical good that they do not wish to own or cannot afford to purchase outright. Examples include vehicles, power tools, furniture, construction equipment, and formal clothing.
- *Place and space rentals*. Customers obtain exclusive use of a defined portion of a larger space in a building, vehicle, or other area. Examples include a hotel room, a seat in an aircraft, or a suite in an office building. The space is sometimes designated by location, but in other instances, as in so-called open seating, customers may be free to select one space per ticket.
- *Labor and expertise rentals*. Customers hire other people to do work that they either choose not to do for themselves (e.g., cleaning a house) or are unable to do because they lack the necessary strength, tools, or skills. In many instances, customers may effectively rent an entire team as in car repair, surgery, and management consultancy.
- *Physical facility access and usage*. Customers rent admission to a facility such as a museum, theme park, spa, or conference site and can then take advantage of it during the period of validity.
- *Network access and usage*. Customers rent the right to participate in a specified network such as telecommunications, utilities, banking, insurance, or specialized information services. Differing terms of access may be developed to meet varying customer needs and abilities to pay.

In many instances, a service may combine elements from several of the above categories, plus direct transfer of one or more physical items. One way of representing such a package is through the molecular modeling of market entities proposed by Shostack (1977).

## Implications of the Rental/Access Paradigm

The division of marketing exchanges into two broad categories—those that involve a transfer of ownership and those that do not—offers scholars and practitioners a new lens through which to observe marketplace activity and examine data. In the process, there may be opportunities to see things that were previously missed. Butterfield (1949) described such a reorientation as "picking up the other end of the stick." Let us consider what issues immediately jump into focus and demand our attention.

*Manufactured goods can form the basis for services*. Both household and business customers often find that solutions to temporary needs are better met by renting a durable good than owning it. Advertisements can be found in most Yellow Pages for rentals of a wide array of products, including vehicles, construction and excavation equipment, generators, tents, party supplies, power tools, furniture, formal wear, and sporting goods. Users purchase temporary possession utility and return the items when no longer needed.

Marketing goods through rentals raises distinctive challenges. Consider car rental, where customers obtain the right to use the car for a defined period within the terms of the rental agreement. Although the core product remains a physical good, customers' brand preferences shift from the characteristics of the vehicle to those of the rental firm, being shaped not only by price but also by ease of reservation, convenience of rental office locations for pickup and drop-off, performance of rental agents, and benefits of loyalty programs.

*Service often involves selling slices of larger physical entities*. In the category "place and space rentals," the physical entity becomes a "sausage" from which customers buy slices. Customers gain the right to exclusive but temporary use of a portion that they can legitimately describe as "my seat," "my room," "our offices." The fact that the items rented represent subdivisions of a larger entity enables customers to participate in the economies of scale derived from sharing a larger space with many users, while enjoying varying degrees of separation and even privacy. In some instances, the proximity of other customers and interaction between them is regarded as a positive experience; in others, it may be seen as a trade-off against more expensive alternatives. The object is often desired less for its intrinsic qualities than as a means to a broader end. A restaurant table provides a surface for meals; a theater seat offers a resting place from which to view a performance. In both instances, some locations may be perceived as more desirable than others. In the category "physical facility access," customers are not assigned a specific physical slice but instead have a certain freedom during the period of validity to select and experience different elements of a facility.

*Labor and expertise are renewable resources in services*. Abraham Lincoln's remark that "a lawyer's time and expertise are his stock in trade" can be applied to all skilled service jobs. Sometimes the desired task requires physical stamina, but increasingly it is intellectual skills that customers seek. Assuming adequate rest and good health, the service provider's expertise is a renewable resource, but time itself is perishable.

*Time plays a central role in most services*. The rental paradigm explicitly focuses our interest on time as a key construct for both suppliers and customers. Ownership is for as long as the object lasts or until the owner chooses to dispose of it. Rental nearly always relates to a specified time period.

We live in the most time-conscious era in human history. McKenna (1997) highlight changing expectations of speedy delivery and the evolving technologies and procedures that make this possible. Berry, Seiders, and Grewal (2002) cite the importance for firms of understanding consumers' perceived expenditures of time in order to create transaction convenience. But despite *Scientific American*'s contention that "time has become to the 21st century what fossil fuels and precious metals were to previous epochs" (Stix 2002), the study of time in a service management context has not received the attention that it merits.

In contrast to the sustained effort to study such constructs as service quality and customer satisfaction, only spasmodic attention has been paid to improving our understanding of how customers perceive, budget, consume, and value time (Graham 1981; Cherlow 1981; Le Clerc, Schmitt, and Dubé 1995; Soman 2001). The most commonly discussed applications relate to management of waiting lines (Durrande-Moreau and Usinier 1999; Jones and Peppiatt 1996; Kostecki 1996; Rossiter 2003) and shaping customers' decisions on when to use a service (Lovelock 1984; Kimes and Wirtz 2003).

Examining services from a rental perspective should stimulate research interest in this important area and enable us to build on existing prescriptions for minimizing the perceived burden for customers of waiting time (Maister 1985; Jones and Peppiatt 1996; Katz, Larson, and Larson 1991).

*New thinking is needed on service pricing*. The distinction between ownership and rental offers a different perspective for pricing analysis and strategy, beyond the obvious ones of relating price to quality and value. A logical approach in rental and access situations is to relate pricing to units of time—how long customers rent, how long they are entitled to share a defined space or access a

physical facility or network, and how much time they receive from a service provider. This approach is straightforward and can work well for suppliers if they can document their time and have a good understanding of the costs associated with delivering a specific unit of service. Although activity-based costing is widely applied in manufacturing firms (Cooper and Kaplan 1991), little has been published on its application to different types of services (Lovelock and Wirtz 2004, pp. 154-56). Circumstances may require modification of time-based pricing, including incorporation of the cost of physical goods supplied as part of service delivery (such as food, medical drugs, or spare parts).

Revenue management strategies (also known as yield management) recognize that many customers explicitly place more value on some time periods than others and that different segments vary widely in their price sensitivity (Kimes and Chase 1998; Kimes and Wirtz 2003; Shugan and Xie 2000). Historically, revenue management has been practiced primarily by airlines, hotels, and rental car companies, but there may be opportunities to employ this strategy among many other capacity-constrained service suppliers that face significant but predictable swings in demand over time, ranging from golf courses to restaurants and professional firms (Kimes 2003). Customers who are time sensitive may also be willing to pay extra for speed.

*Services offer opportunities for resource sharing*. Renting is a way for customers to enjoy use of physical goods and facilities that they cannot afford to buy, cannot justify purchasing, or prefer not to retain after use. In addition, renting—in the form of access fees—offers a means to participate in network systems that individuals and most organizations could not possibly afford to own and operate for themselves.

This insight has two important implications for today's world. First, in developing economies, prospects for improved quality of life may revolve around finding creative ways of sharing access to goods, physical facilities, systems, and expertise, in ways that bring the price down to affordable levels. Second, in a world where many resources are believed to be finite, replacing ownership by rental may be the best way in both emerging and developed economies to allocate use of the products that incorporate these scarce resources.

Consider the following examples. The convenience of full-time, personalized access to telecommunications is taken for granted in advanced economies, where the infrastructure is already in place and most people can afford to subscribe to fixed line or cellular service. But few people can afford such a luxury in developing countries. Because of the cost of laying new land lines, many countries are investing in a wireless infrastructure, enabling customers in remote locations to have access to cellular pay phones. In some Bangladeshi villages that lack such pay phones, entrepreneurs have obtained "microloans" to purchase a cell phone and then rent use of this phone to customers by the minute, timing their calls with a stopwatch and charging double the bulk rate paid by the owner that they are paying themselves (Prahalad and Hammond 2002).

By contrast, in affluent countries where car ownership is widespread, huge numbers of vehicles sit idle much of the time. But residents of Boston, New York, and Washington, D.C. can join Zipcar, which offers its members use of cars parked off-street throughout the city (Hart, Roberts, and Stevens 2003). Members pay only for the length of time that they use the vehicle, making this service an inexpensive alternative to ownership and typically much cheaper than use of taxis or rental cars.

## The Gray Area Between Rental, Lease, and Ownership

Innovative marketers have developed hybrid alternatives to full ownership. A recent development is fractional ownership of business aircraft, which gives the customer the right to a certain number of flying hours each year in an executive jet. In this instance, a different aircraft may be supplied on each occasion. Time-share condominium ownership conveys the right of occupancy only for specified periods of the year, typically 1 to 2 weeks. Long-term leases have become a popular alternative to ownership for a growing number of expensive durable goods, from cars to heavy equipment. They offer customers a means of obtaining extended, exclusive use of an item without tying up capital. To that extent, they represent an alternative to credit payments secured against a lien.

In general, however, marketing strategies for short-term rentals are more distinctively different from outright sales than are those for long-term leases; the latter offer extended possession utility and thus convey de facto, if not de jure, ownership. Among other things, managers offering short-term rentals need to design two-way distribution channels with reference to ease of return as well as pickup and to employ variable pricing and promotional strategies to smooth demand.

Clearly, there are gray areas in the split between rental and ownership. But as Kuhn (1970) emphasized, "There are always difficulties somewhere in the paradigm-nature fit; most of them are set right sooner or later, often by processes that could not have been foreseen" (p. 82). By studying and seeking to resolve ambiguous situations such as those presented above, marketers in one industry may develop ideas for innovative strategies in another.

## FUTURE DIRECTIONS

The foundations of services marketing were laid down more than a quarter-century ago. The pre-1980 era that Fisk, Brown, and Bitner (1993) referred to as the "Crawling Out" phase of services marketing was one in which scholars were debating what made services different from goods as they sought to legitimate the need for a new field. In that era, there were no personal computers, no Internet, and little opportunity for consumers to make toll-free long-distance calls to service suppliers. International trade in services was restricted, most firms still preferred to perform service activities in-house rather than to outsource, and there was no body of knowledge on how to improve service quality. Although vending machines had a long history, applications of technology-based self-service were only just getting off the ground—primarily in banking and gasoline retailing.

Today, the environment of services marketing is radically different. The "goods versus services" debate of the 1970s and early 1980s was useful and fruitful in highlighting the crucial but neglected role of services in management and marketing, yet the very nature of that debate obscured the necessary synergies between manufacturing and service businesses, and much work remains to be done to develop an understanding of the mutual interaction and interdependence between goods and services.

Early theorizing created a paradigm that services possessed four unique characteristics (IHIP) that made them different from goods. This paradigm was enshrined in landmark articles, service textbooks, and many professors' lecture notes, ultimately becoming part of the received wisdom of marketing through repetition in successive issues of mainstream marketing texts. Although it served a useful purpose in facilitating evolution of the field of services marketing, we contend on the basis of our review that the underlying premises of this paradigm no longer bear up under examination. Vargo and Lusch (2004b) have independently reached a similar conclusion, dismissing many of the arguments for IHIP as myths. In Kuhn's (1970) terminology, the core paradigm of services marketing has long been in "crisis." To continue pretending that the IHIP-based paradigm is an appropriate lens through which to view the entire service sector risks transforming what was once a building block into a stumbling block. But Kuhn also warns us that "to reject one paradigm with- out simultaneously substituting another is to reject science itself" (p. 79).

We are not alone with Schneider (2000) in explicitly calling for new directions. In their own review of the future of services marketing, Grove, Fisk, and John (2003) declared, "In our information age economy, where new business models are constantly emerging and disappearing, the struggle to discover successful new frameworks raises questions regarding existing paradigms. Newer paradigms must evolve" (p. 119).

Changes in such factors as corporate and consumer attitudes, marketplace behavior, and political agendas are also shaped and reinforced by technological change. Technological development presents marketers with new tools and opportunities (Rust 2004). At the same time, it also has the potential to undermine the foundations of existing marketing thought. Deighton (1997) argued that with the advent of the Internet, "the rate of intellectual capital depreciation in marketing today exceeds that at any time in this [20th] century" (p. 347).

Accepting the need for new directions in services marketing is potentially threatening. As the 16th-century English theologian Richard Hooker once observed, "Change is not made without inconvenience, even from worse to better." Shugan (2004) warns that "generality is a traditional holy grail of academic research. The developers and stewards of traditional methods and theories will enthusiastically proclaim that new methods are unnecessary" (p. 25). Yet the evidence is compelling that the field must adopt new directions if it is to remain relevant.

Earlier, we laid out several alternative routes for services marketing. One option is to argue that services marketing and goods marketing should be reunited under a service banner. This would be consistent with Vargo and Lusch's (2004a, 2004b) belief that a new dominant logic is emerging in marketing in which service provision, rather than goods, is fundamental to economic exchange. Another option would be to acknowledge that there continue to be important differences between the ways in which the core products of manufacturing and service enterprises are created, marketed, distributed, and consumed, but that the differences among services are equally significant and must be acknowledged by developing separate paradigms for different categories of services. For instance, we could have one paradigm for tangible services to the person of the customer, one for e-services, one for separable services, one for what Peter Hill (1999) termed "intangible goods," and lastly, consider retaining or modifying the IHIP-based paradigm for services that still meet the criteria posed by those characteristics.

The third option we put forward was to look for a new paradigm that would cut across the traditional goods and services dichotomy. Therefore, we proposed an alternative set of assumptions tentatively labeled the *rental/access paradigm*. In this paradigm, based on the premise that those marketing exchanges that do not result in a transfer of ownership from seller to buyer are fundamentally different from those that do, services are presented as offering benefits through access or temporary possession, rather than ownership, with payments taking the form of rentals or access fees.

We make no claim that the proposed new paradigm offers a panacea with necessarily general properties. Rather, we present it as a lens to explore aspects of services marketing and consumption not clearly visible in current theory. It holds the potential to stimulate new approaches to both research and practice, and it provides a bridge to manufacturing by explicitly recognizing the role of service-based rentals as an alternative to direct sale of durable products. Because it does not undermine the existing services marketing field, it is consistent with Kuhn's (1970) belief that new paradigms "usually preserve a great deal of the most concrete parts of past achievement and they always permit additional concrete problem-solutions besides" (p. 169).

At this point, the proposed "rental/access paradigm" is a set of assumptions. It cannot be described as a paradigm shift in the Kuhnian sense until it is shared among other scholars and starts to shape the formulation of theoretical generalizations, to focus data gathering, and to influence research procedures and projects. In particular, we believe there is a need for systematic field research in services, employing both qualitative and quantitative methods that go beyond consumer satisfaction studies to include in-depth case studies of business practice and customer behavior. Early development of the field of services was stimulated by a combination of inductive and deductive research involving both scholars and practitioners from several continents. Future advances in theory and practice will profit from similar collaboration around the world.

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